

Patent Validity Challenges after *KSR*

In the latest in a series of recent decisions on patent law, the Supreme Court has altered the framework to assess the patentability of inventions.

The United States Supreme Court's recent decision in *KSR International Co. v. Teleflex, Inc.*, No 04-1350 (April 30, 2007), significantly changes the baseline for the type of technological advance that will be necessary to qualify for patent protection in the United States. While raising the bar for those seeking to obtain and enforce patents, it provides some long-desired breathing space for those who must operate in fields where substantial patenting has taken place.

The *KSR* case was an appeal of a patent infringement action from the Federal Circuit Court of Appeals. The Court granted certiorari to revisit the patentability standard under 35 U.S.C. §103(a), enacted as part of the Patent Act of 1952. In addition to a "novelty" requirement under 35 U.S.C. § 102 (under which one may not patent something identical to that done in the past), Section 103 sets out a further "nonobviousness" requirement – that a patent may not be granted if, at the time the invention was made, the differences between the invention and the prior art were such that the invention would have been obvious to one of ordinary skill in the art to which the subject matter pertains. Sections 102 and 103 are the two main provisions that "guard the door" to patent protection.

The Supreme Court first addressed the interpretation of section 103 in *Graham v. John Deere & Co.*, 383 U.S. 1 (1966), and laid out a broad framework with which to analyze the reach of section 103. The *Graham* court required an inquiry into the level of skill in the art, the relevant art and the differences between the invention and the relevant prior art. It also considered other ("secondary") factors tending to disprove obviousness, including the commercial success of the product covered by the patent, the failure of others to create the claimed invention, and a long-felt need for the solution that the invention provides. The *Graham* analysis applied a broad functional approach, and subsequent Supreme Court cases followed this approach.

In the years since it was established in 1982, the Federal Circuit has applied the *Graham* analysis, but added another requirement to it – the "teaching, suggestion or motivation to combine" test (the "TSM" test). Under the TSM test, the patent challenger must show that there was a teaching, suggestion or motivation to combine prior art teachings to arrive at the patented invention. The Federal Circuit applied this test strictly and inflexibly, and this strict application made it more difficult than under the *Graham* test alone to prove obviousness under Section 103. This test applied both in the Patent and Trademark Office ("PTO") and in patent litigation in the courts. Since it was difficult to demonstrate obviousness, the PTO sometimes issued patents on questionable innovations, and litigants were often unsuccessful in challenging such patents under Section 103.

The Court in *KSR* rejected the Federal Circuit's approach and required a broader and more flexible approach consonant with *Graham* and other Supreme Court decisions.

KSR is the latest in a number of decisions on patent law recently handed down by the Supreme Court. In May 2006, the Court in *eBay v. Mercexchange* limited the ability of a patent holder to obtain a permanent injunction. This year in *MedImmune v. Genentech*, the Court allowed a license holder to continue to make license payments to a patent holder-licensor while filing an action to challenge the patent, and it rejected the Federal Circuit jurisprudence on whether actions by a patent holder triggered rights to a declaratory judgment. These decisions have changed dramatically the landscape for licensors and licensees.

At a more general level, arguments that would have been rejected out of hand by the Federal Circuit two years ago (and, indeed, had been so rejected) are now the law. This will lead enterprising litigators and their clients to challenge other principles of patent law that were once thought to be settled.

For those who are engaged in patent infringement litigation or patent procurement, or advising clients on their freedom of operation with regard to existing patents, all of these cases require careful study. Addressed below are some of the major doctrinal shifts resulting from the *KSR* decision that we have identified.

The TSM Test.

The Supreme Court rejected as “too rigid” the TSM approach that the Federal Circuit had employed, finding that it “denied fact-finders recourse to common sense.” It found that the TSM test was inconsistent with prior precedent to the extent that it required proof of “precise teachings directed to the specific subject matter of the challenged claim.” *KSR* at 14.

The Court did not leave the TSM test completely for dead. The Court, appropriately, left undisturbed the Federal Circuit’s post-certiorari- grant decision that recharacterized the tenets of the TSM test. It left for the Federal Circuit to determine whether those recent incarnations of the TSM test are more consistent with the Supreme Court’s earlier precedents and *KSR*. We expect that a form of TSM test will continue as one way to prove obviousness, informed however, by a fuller context of technology trends and market trends. For example, the Court noted that “[o]ne of the ways in which a patent’s subject matter can be proved obvious is by noting that there existed at the time of invention a known problem for which there was an obvious solution encompassed by the patent claims.” We expect to see this problem-solution method, which is a loose derivative of the EPO’s method of determining “inventive step,” to become more prevalent as a way to challenge, or support, obviousness determinations.

The TSM test, in a modified form, is still available to show obviousness, but this test will no longer be the only way to prove obviousness.

A Return to *Graham*.

The Supreme Court instructed the lower courts to follow the teachings of *Graham*. This instruction will lead to a broader view of the state of the art and the relevant factors in which to assess obviousness. The *Graham* factors themselves, long addressed in perfunctory terms by patent litigators, will now be available to prove the state of the art at the time of invention, which include both the technological state of the art and the marketing trends present in the marketplace. We expect that this evidence will be pursued with new vigor, both by patent challengers and patent holders. Evidence of going against the grain of conventional wisdom – “teaching away” in patent parlance – will become critical to determine obviousness, more so than under the prior Federal Circuit law. In addition, the proverbial “person of ordinary skill in the art” will now be credited with having at least an ordinary level of insight and creativity – and not have to be spoon-fed from a written reference.

We expect that many patents will be invalidated based on the renewed emphasis on *Graham*’s functional approach. For example, the Court now instructs us to ask “whether an improvement is more than the predictable use of prior art elements according to their established functions.” If so, the patented invention very likely will be considered obvious under this framework. Similarly, if the patented invention is not “more than the simple substitution of one known element for another or the mere application of a known technique to a piece of prior art ready for the improvement,” it very likely will be considered obvious in the wake of *KSR*.

One criticism expressed by the patent community is the inclusion of “common sense” into the analysis of the knowledge of one of ordinary skill in the art. On the surface, requiring common sense should be a necessary component of someone ordinarily skilled in the art because that person should also have the skill and the common sense attendant to all people. As the Court said, “[a] person of ordinary skill is also a person of ordinary creativity, not an automaton.” But rejections at the PTO based on “common sense” in the past were often unsupported by reference to the source of the common sense. This type of reasoning can fall quickly into *ipse dixit*.

The Court noted this potential and provided for it. It noted that “[i]t can be important to identify a reason that would have prompted a person of ordinary skill in the relevant field to combine the elements in the way the new claimed invention does.” Thus, there still needs to be a reason to render a patent obvious, and that reason should have some basis that may be tested. The reason, however, no longer needs to be spelled out explicitly in the prior art references themselves. Now technology trends and marketing trends can provide the reason.

The Reemergence of “Obvious To Try.”

The Court held that it would be appropriate in some circumstance to view an invention as obvious if one of ordinary skill in the art would have tried the combination of elements that make up the invention if confronted with the problem. Under an “obvious-to-try” analysis, one could invalidate a patent by showing that it would have been obvious to try a particular combination of elements. Applied broadly, this analysis could degenerate into a “hindsight reconstruction” – using the patent as the reference point and working backwards to find all the components in the prior art. Hindsight reconstruction is an improper method of determining patentability because the inventor did not have the benefit of hindsight at the time of the invention. The obvious-to-try doctrine has been applied in some form in Supreme Court cases but the Federal Circuit rejected it for all cases because it feared that hindsight reconstruction would taint the analysis.

KSR resurrected the doctrine in a narrower form. The Court stated, “[w]hen there is a design need or market pressure to solve a problem and there are a finite number of identified, predictable solutions, a person of ordinary skill has good reason to pursue the known options within his or her technical grasp.”

We expect that courts will grant some leeway to argue obvious to try, but there must be proof that the choices are finite and identifiable, and that the choice performed in a predictable way. Using an obvious-to-try analysis must be done carefully to avoid falling into the hindsight reconstruction trap. What is most evident is that this test presents major fact issues. We expect that it will be heavily litigated.

Obviousness as a Question of Law.

The Court reemphasized that obviousness is a question of law, based on the underlying *Graham* factors. In practice, these factors were rarely controverted (though this may change, see below). The TSM test, however, was also considered by the Federal Circuit to be a question for the finder of fact, and this had the practical effect of converting the ultimate question of obviousness into a question of fact.

By restating the analysis again to focus on *Graham* and removing TSM as a *sin qua non*, the Court readjusted the analysis to allow courts to decide obviousness. Moreover, affidavits attesting to the ultimate issue of obviousness should no longer be an impediment to deciding the issue on summary judgment.

One wrinkle that we foresee, however, is the expected reinvigoration of the *Graham* factors themselves. We expect that these factors will be used to present the contextual information about the state of technology and market demand. Conflicts on these underlying factual issues could preclude decisions on summary judgment in certain circumstances.

The Future of Obviousness.

We predict that this new approach will have a profound effect on mechanical patents, software patents and business methods patents. Mechanical patents and software patents often rely on combinations of pre-existing elements that may be more susceptible to challenge under *KSR*; these patents were difficult to invalidate under the TSM test. The gas and brake pedal patent at issue in *KSR* is one example in the mechanical field. Business methods patents that are new adaptations of processes that existed in prior media could also be challenged more effectively under *KSR*. The learning toy patent recently invalidated by the Federal Circuit in *LeapFrog Enterprises v. Fischer-Price, Inc.*, No. 6-1402 (May 9, 2007), is a good example of such an adaptation. In the pharmaceutical and biotech areas, there will be effects, but they must be judged on a case-by-case basis.

We caution patent holders – and those seeking opinions and workarounds to existing patents – not to read the decision too broadly. To be sure, this decision will have wide ramifications, and it will require all patents to be scrutinized afresh through a different analytical framework. But also consider that the underlying facts of *KSR* made it an easy case in which to cut back on incremental patents. It was easy to see that a reasonably skilled mechanic could readily take the technology of adjustable brake and gas pedals used in carbureted engines and apply it to electronically controlled engines.

Other cases of adaptations where the motivation comes from an external source – technology jumps, or market demands – likely will not survive under this analytical framework. But inventions that can demonstrate unexpected results and going against the grain of conventional teaching should still be able to obtain patent protection, even after *KSR*.

There is reason to expect that the decision in *KSR* will also have an impact in the area of patent-antitrust. For example, if applicants now have to go to greater lengths to overcome an obviousness rejection in the PTO, there will be more opportunity to run afoul of the bounds of candor, providing potentially more in the patent prosecution record to support a *Walker Process*-type claim based on inequitable conduct. *KSR* may also affect predatory innovation claims where an alleged anticompetitive product modification proves to be unpatentable under the new standard.

We expect that *KSR* will spark a reexamination of several interrelated areas of patent law, and we will update you on our view on developments as they arise.

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